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TAX RATE EXTENSION ACT OF 1955

MARCH 1, 1955.—Ordered to be printed

Mr. BYRD, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 4259]

The Committee on Finance, to whom was referred the bill (H. R. 4259) to provide a 1-year extension of the existing corporate normal-tax rate and of certain existing excise-tax rates, and to provide a $20 credit against the individual income tax for each personal exemption, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

1. In the first section, amend the short title of the bill to be the "Tax Rate Extension Act of 1955".
2. Strike out sections 4 and 5 of the bill (relating to allowance of $20 credit for each personal exemption).
3. Amend the title of the bill so as to read:

An Act to provide a 1-year extension of the existing corporate normal-tax rate and of certain existing excise-tax rates.

I. GENERAL STATEMENT

H. R. 4259, as amended by your committee, like the House bill, provides for a 1-year extension of the present corporate income tax rate and the existing rates of certain excises. The rates of these taxes otherwise are scheduled for reduction on April 1, 1955. However, your committee's bill eliminates the sections of the House bill providing an individual income tax reduction for 1956.

The present 52 percent corporate income tax rate, without the 1-year extension provided in the bill, would revert to 47 percent as of the 1st of this April. The excise tax rates which without this bill also would be decreased this April are those on alcoholic beverages, cigarettes, gasoline, automobiles, trucks, auto parts, and diesel and special motor fuel.

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The individual income tax reduction which would be provided by the House, but not by your committee's, bill is a $20 tax credit for each exemption. This would be effective beginning in the calendar year 1956.

Your committee agrees with the extensions of the present corporate and excise tax rates because the Federal budget is unbalanced for 1955 and 1956 and because it shows no expenditure reduction in 1956 to offset further tax reduction. Moreover, your committee does not believe that an individual income tax reduction for 1956 is justified this far in advance. The committee is not, however, closing the door to the future consideration of an individual tax reduction for 1956 if the financial conditions of the Treasury improve to a sufficient extent to make the reduction of individual taxes possible without adding to the debt.

II. Revenue and Budget Effects

The revenue effects of your committee's bill and the House bill for the fiscal years 1955 and 1956, and also on a full year's basis, are shown in table 1. Only the extension of the excise taxes under either bill is expected to have any effect on budget receipts in the fiscal year 1955. Under existing law the excise tax reductions would be effective for April, May, and June in the fiscal year 1955 and the collections for the fiscal year 1955 would reflect most of the reductions for these months. Under both bills this decrease in revenue is avoided. The reduction in corporate taxes under existing law would not be reflected in receipts in fiscal year 1955 because of the lag in corporate tax collections. Most of the revenue effect from extending the present corporate income tax rate for 1 year beyond April 1, 1955, will be reflected in collections for the fiscal year 1956, but some effect will carry over into the fiscal year 1957. The individual income tax reduction provided by the House bill, but not your committee's bill, would be effective in the last 6 months of the fiscal year 1956 (i. e., the period from January 1 to June 30, 1956). It is estimated that individual income taxes collected through withholding or under the declaration system would be reduced by $815 million for the fiscal year 1956 as a result of this House provision. The $20 per exemption tax credit would be fully effective under the House bill in the fiscal year 1957.

Table 1.—*Comparison of effect of House and Finance Committee bills on receipts*

[In millions of dollars]

	In the fiscal year—			On a full year's basis	
	1955	1956			
	Both bills	Committee bill	House bill	Committee bill	House bill
Individual income tax $20 credit (House bill only)	0	0	−$815	0	−$2,093
Extension of 5 percentage points of corporation normal tax	0	$1,075	1,075	$1,750	1,750
Extension of certain excise taxes	$191	889	889	1,080	1,080
Total	191	1,964	1,149	2,830	737

Source: Staff of the Joint Committee on Internal Revenue Taxation.

Table 2 shows the effect of your committee's bill on the budget for the fiscal years 1955 and 1956. As this table indicates, expenditures in the President's budget are estimated at $63.5 billion and $62.4 billion, respectively, for the fiscal years 1955 and 1956. Receipts in the budget as provided for by existing law are estimated at $58.8 billion and $57.7 billion for these 2 years. This indicates in both years an excess of expenditures over these receipts of $4.7 billion. The extension of the excise rates as provided in your committee's bill decreases this deficit to $4.5 billion in the fiscal year 1955. In 1956 the combined effect of the excise and corporate income tax extensions reduce the deficit to $2.5 billion. The House income tax cut would increase this deficit again to $3.3 billion.

TABLE 2.—*Effect of the Finance Committee bill on the 1955 and 1956 budgets*

[In billions of dollars]

	Fiscal year—	
	1955	1956
Expenditures, including proposed legislation	$63.5	$62.4
Receipts, existing law only	58.8	57.7
Difference	−4.7	−4.7
Effect of extending corporate and excise tax rates as in committee bill:		
Increase in tax collection	+.2	[1] +2.0
Postponement of floor-stock refunds	0	[2] +.2
Budget deficit under existing law, adjusted for extension of rates	−4.5	[1] −2.5

[1] The budget estimate of the effect on revenue in the fiscal year 1956 of extending the corporate and excise tax rates is $100 million above the joint committee staff estimate. Using the budget figures would decrease the deficits shown by $100 million.

[2] These floor-stock refunds, without the extensions, might affect the 1955 instead of the 1956 budget. They, however, are shown as reported in the President's budget.

Source: Staff of the Joint Committee on Internal Revenue Taxation.

III. REASONS FOR ELIMINATION OF $20 INDIVIDUAL INCOME TAX CREDIT

The House bill would have allowed a taxpayer a $20 tax reduction for each exemption claimed by him with respect to himself and any dependents he might have. A taxpayer who was 65 or over or blind would have received an extra $20 with respect to each such exemption. The tax reduction was to take the form of a credit against the tax liability as otherwise computed but was not to exceed this tax liability. The reduction provided by the House bill would have been effective for the calendar year 1956 and subsequent years.

Your committee's bill deletes the provisions relating to this tax reduction. This reduction is omitted without intending to imply, however, that subsequent events may not justify an individual income tax reduction for 1956.

The tax reduction provided by the House bill would first become effective some 10 months from now and it is estimated that it would decrease revenues in the year ending June 30, 1956, by $815 million. The full impact of the reduction, however, would not be felt until the fiscal year 1957. In that year it is estimated that revenues would be decreased by 2.1 billion. Your committee is unable to tell this far in advance whether the economy in 1956 and 1957 will need such a reduction. Moreover, your committee believes that it would be most

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difficult to remove such a reduction, once granted, even though subsequent budgetary and economic conditions should show that such a reduction was unwarranted.

The President's budget presented this last January forecast a deficit of $4.5 billion for the fiscal year 1955 and $2.4 billion for the fiscal year 1956. These budget figures already take into account the revenue to be gained from the extension of the existing corporate and excise tax rates. No forecast is as yet available for 1957 when the House reduction would have its principal impact.

The 1955 budget is not reduced under either the House or your committee's bill. The House bill increases the 1956 deficit by $815 million, or to approximately $3.3 billion. Still more important, the House measure would make a balanced budget in 1957 much more difficult to accomplish, because it would decrease revenues in that year by $2.1 billion.

It is contended by some that despite the budgetary situation, economic conditions demand a tax reduction for individuals. This has been justified on the grounds that the gross national product for the calendar year 1954 fell about $8 billion behind the level of 1953. This decline in economic activity last year, however, would not appear to require a tax reduction next year. On the contrary, most economic indicators have shown an improvement in the latter part of 1954 which is continued in the early data available for 1955.

Thus, the gross national product increased in the last quarter of 1954, as also did the index of industrial production which (on a preliminary basis) showed further improvement in January of 1955. The factory workweek was lengthened in the latter part of 1954 and declined less than is usual in January of 1955. Unemployment also fell in the latter part of 1954. This same pattern of improvement is repeated in various other economic indicators. Certainly the recent improvement suggests that there is no need to rush in now to make an individual tax reduction which will not be effective until 10 months from now.

IV. Extension of the Corporate Income and Certain Excise Tax Rates

Your committee's bill, like the House bill, extends for 1 year the present 52 percent corporate income tax rate that otherwise is due to revert to 47 percent as of April 1, 1955. The 5 percentage point reduction would occur in the 30 percent normal tax to which all corporate taxable income is subject. The 22 percent surtax, which applies only to income above $25,000, remains unchanged.

Your committee's bill, also like the House bill, extends for 1 year the present excise tax rates due to be automatically reduced as of April 1, 1955. These include the excise taxes on distilled spirits, beer, wine, cigarettes, gasoline, automobiles, trucks, automobile parts and accessories, and diesel and special motor fuel. These excises are described more fully in table 3 which shows the unit of tax, the rates before and after April 1, 1956, under this bill and the revenue effects of these extensions for the fiscal years 1955 and 1956 and also on a full-year's basis.

TABLE 3.—*Excise tax rates extended until Apr. 1, 1956,*[1] *under both the House committee bills*

	Unit of tax	Rate extended for period from Apr. 1, 1955, to Mar. 31, 1956	Rate to become effective Apr. 1, 1956 [1]	Effect on revenue		
				Fiscal 1955	Fiscal 1956	Full year of operation
				Millions	*Millions*	*Millions*
Liquor taxes:						
Distilled spirits	Per proof gallon	$10.50	$9	$38	$89	$127
Beer	Per barrel	$9	$8	21	64	85
Wine:						
Still wine:						
Containing less than 14 percent alcohol.	Per wine gallon	17 cents	15 cents			
Containing 14 to 21 percent alchol.	do	67 cents	60 cents			
Containing 21 to 24 percent alcohol.	do	$2.25	$2			
Contining more than 24 percent alcohol.	do	$10.50	$9	3	7	10
Sparkling wines, liqueurs, cordials, etc.:						
Champagne or sparkling wine.	do	$3.40	$3			
Liqueurs, cordials, etc.	do	$1.92	$1.60			
Artificially carbonated wines.	do	$2.40	$2			
Tobacco taxes: Cigarettes	Per 1,000	$4	$3.50	46	139	185
Manufacturer's excises:						
Gasoline	Per gallon	2 cents	1½ cents	31	219	250
Passenger cars and motorcycles	Manufacturers' sale price.	10 percent	7 percent	37	263	300
Trucks, buses, truck trailers	do	8 percent	5 percent	7	53	60
Auto parts and accessories	do	do	do	7	49	56
Retailers' excises: Diesel and special motor fuel.	Per gallon	2 cents	1½ cents	1	6	7
Total excises				191	889	1,080

[1] These rates were increased by the Revenue Act of 1951 and the increases were scheduled to terminate on Apr. 1, 1954. The Excise Tax Reduction Act of 1954 extended these rate increases to Apr. 1, 1955.

Source: Prepared by the staff of the Joint Committee on Internal Revenue Taxation.

In addition to extending the rates specified above, your committee's bill, and the House bill, postpone for 1 more year the floor stock refunds or credits presently effective with respect to stocks of various tax-paid products on hand on April 1, 1955. These floor stock refunds are available in the case of distilled spirits, wines, and beer, cigarettes, gasoline, and automobiles, trucks, and automobile parts and accessories.

The rate extension provided by the bill in the case of the corporate income tax makes the 52 percent rate applicable to taxable years beginning and ending before April 1, 1956, and a 47-percent rate applicable with respect to taxable years beginning and ending thereafter. A proration formula, already in the Internal Revenue Code, provides for corporations whose taxable years overlap this date.

Your committee has provided for the extension of the corporate income tax and the excise tax rates for another year primarily because the present budget situation does not justify such reductions at the present time. Some $2.8 billion of revenue is involved on a full year's basis. In this connection, the President in his recent budget message stated:

Because we must keep our existing revenues intact, I have already recommended to the Congress in my state of the Union message that existing rates on

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both excises and corporate incomes be extended for 1 year. Any other course of action would result in either (1) inadequate expenditures for national security, or (2) inflationary borrowing.

Your committee is in accord with the President in believing that the budget does not permit these reductions to take place in 1955.

V. Changes in Existing Law

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman):

INTERNAL REVENUE CODE OF 1954

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SEC. 11. TAX IMPOSED.

(a) Corporations in General.—A tax is hereby imposed for each taxable year on the taxable income of every corporation. The tax shall consist of a normal tax computed under subsection (b) and a surtax computed under subsection (c).

(b) Normal Tax.—

(1) Taxable years beginning before April 1, [1955] *1956*.—In the case of a taxable year beginning before April 1, [1955] *1956*, the normal tax is equal to 30 percent of the taxable income.

(2) Taxable years beginning after March 31, [1955] *1956*.—In the case of a taxable year beginning after March 31, [1955] *1956*, the normal tax is equal to 25 percent of the taxable income.

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SEC. 821. TAX ON MUTUAL INSURANCE COMPANIES (OTHER THAN LIFE OR MARINE OR FIRE INSURANCE COMPANIES ISSUING PERPETUAL POLICIES).

(a) Imposition of Tax on Mutual Companies Other Than Interinsurers.—There shall be imposed for each taxable year on the income of every mutual insurance company (other than a life or a marine insurance company or a fire insurance company subject to the tax imposed by section 831 and other than an interinsurer or reciprocal underwriter) a tax computed under paragraph (1) or paragraph (2), whichever is the greater:

(1) If the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) is over $3,000, a tax computed as follows:

(A) Normal tax.—

(i) Taxable years beginning before April 1, [1955] *1956*.—In the case of taxable years beginning before April 1, [1955] *1956*, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser;

(ii) Taxable years beginning after March 31, [1955] *1956*.—In the case of taxable years beginning after March 31, [1955] *1956*, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $3,000, whichever is the lesser; plus

(B) Surtax.—A surtax of 22 percent of the mutual insurance company taxable income (computed without regard to the deduction provided in section 242 for partially tax-exempt interest) in excess of $25,000.

(2) If for the taxable year the gross amount of income from interest, dividends, rents and net premiums, minus dividends to policyholders, minus the interest which under section 103 is excluded from gross income, exceeds $75,000, a tax equal to 1 percent of the amount so computed, or 2 percent of the excess of the amount so computed over $75,000, whichever is the lesser.

(b) Imposition of Tax on Interinsurers.—In the case of every mutual insurance company which is an interinsurer or reciprocal underwriter (other than

a life or a marine insurance company or a fire insurance company subject to the tax imposed by section 831), if the mutual insurance company taxable income (computed as provided in subsection (a) (1)) is over $50,000, there shall be imposed for each taxable year on the mutual insurance company taxable income a tax computed as follows:

(1) NORMAL TAX.—

(A) TAXABLE YEARS BEGINNING BEFORE APRIL 1, [1955] *1956*.—In the case of taxable years beginning before April 1 [1955] *1956*, a normal tax of 30 percent of the mutual insurance company taxable income, or 60 percent of the amount by which such taxable income exceeds $50,000, whichever is the lesser;

(B) TAXABLE YEARS BEGINNING AFTER MARCH 31, [1955] *1956*.—In the case of a taxable year beginning after March 31, [1955] *1956*, a normal tax of 25 percent of the mutual insurance company taxable income, or 50 percent of the amount by which such taxable income exceeds $50,000, whichever is the lesser; plus

(2) SURTAX.—A surtax of 22 percent of the mutual insurance company taxable income (computed as provided in subsection (a) (1)) in excess of $25,000, or 33 percent of the amount by which such taxable income exceeds $50,000, whichever is the lesser.

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SEC. 4041. IMPOSITION OF TAX.

(a) DIESEL FUEL.—There is hereby imposed a tax of 2 cents a gallon upon any liquid (other than any product taxable under section 4081)—

(1) sold by any person to an owner, lessee, or other operator of a diesel-powered highway vehicle, for use as a fuel in such vehicle; or

(2) used by any person as a fuel in a diesel-powered highway vehicle unless there was a taxable sale of such liquid under paragraph (1).

(b) SPECIAL MOTOR FUELS.—There is hereby imposed a tax of 2 cents a gallon upon benzol, benzene, naphtha, liquefied petroleum gas, or any other liquid (other than kerosene, gas oil, or fuel oil, or any product taxable under section 4081 or subsection (a) of this section)—

(1) sold by any person to an owner, lessee, or other operator of a motor vehicle, motorboat, or airplane for use as a fuel for the propulsion of such motor vehicle, motorboat, or airplane; or

(2) used by any person as a fuel for the propulsion of a motor vehicle, motorboat, or airplane unless there was a taxable sale of such liquid under paragraph (1).

(c) RATE REDUCTION.—On and after April 1, [1955] *1956*, the taxes imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

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SEC. 4061. IMPOSITION OF TAX.

(a) AUTOMOBILES.—There is hereby imposed upon the following articles (including in each case parts or accessories therefor sold on or in connection therewith or with the sale thereof) sold by the manufacturer, producer, or importer a tax equivalent to the specified percent of the price for which so sold:

(1) Articles taxable at 8 percent, except that on and after April 1, [1955] *1956*, the rate shall be 5 percent—

Automobile truck chassis.
Automobile truck bodies.
Automobile bus chassis.
Automobile bus bodies.
Truck and bus trailer and semitrailer chassis.
Truck and bus trailer and semitrailer bodies.
Tractors of the kind chiefly used for highway transportation in combination with a trailer or semitrailer.

A sale of an automobile truck, bus, truck or bus trailer or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

(2) Articles taxable at 10 percent except that on and after April 1, [1955] *1956*, the rate shall be 7 percent—

Automobile chassis and bodies other than those taxable under paragraph (1).
Chassis and bodies for trailers and semitrailers (other than house trailers) suitable for use in connection with passenger automobiles.
Motorcycles.

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A sale of an automobile, trailer, or semitrailer shall, for the purposes of this paragraph, be considered to be a sale of the chassis and of the body.

(b) PARTS AND ACCESSORIES.—There is hereby imposed upon parts or accessories (other than tires and inner tubes and other than automobile radio and television receiving sets) for any of the articles enumerated in subsection (a) sold by the manufacturer, producer, or importer a tax equivalent to 8 percent of the price for which so sold, except that on and after April 1, [1955] *1956*, the rate shall be 5 percent.

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SEC. 4081. IMPOSITION OF TAX.

There is hereby imposed on gasoline sold by the producer or importer thereof, or by any producer of gasoline, a tax of 2 cents a gallon. On and after April 1, [1955] *1956*, the tax imposed by this section shall be 1½ cents a gallon in lieu of 2 cents a gallon.

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SEC. 5001. IMPOSITION RATE AND ATTACHMENT OF TAX.

(a) RATE OF TAX—

(1) IN GENERAL.—There is hereby imposed on all distilled spirits in bond or produced in or imported into the United States an internal revenue tax at the rate of $10.50 on each proof gallon or wine gallon when below proof and a proportionate tax at a like rate on all fractional parts of such proof or wine gallon. On and after April 1, [1955] *1956*, the rate of tax imposed by this paragraph shall be $9 in lieu of $10.50.

(2) PRODUCTS CONTAINING DISTILLED SPIRITS.—All products of distillation, by whatever name known, which contain distilled spirits or alcohol, on which the tax imposed by law has not been paid, shall be considered and taxed as distilled spirits.

(3) IMPORTED PERFUMES CONTAINING DISTILLED SPIRITS.—There is hereby imposed on all perfumes imported into the United States containing distilled spirits a tax of $10.50 per wine gallon, and a proportionate tax at a like rate on all fractional parts of such wine gallon. On and after April 1, [1955] *1956*, the rate of tax imposed by this paragraph shall be $9 in lieu of $10.50.

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SEC. 5022. TAX ON CORDIALS AND LIQUEURS CONTAINING WINE.

On all liqueurs, cordials, or similar compounds produced in the United States and not sold as wine, which contain more than 2½ percent by volume of wine of an alcoholic content in excess of 14 percent by volume (other than bottled cocktails), there shall be paid, in lieu of the tax imposed by section 5021, a tax at the rate of $1.92 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon until April 1, [1955] *1956*, and on or after April 1, [1955] *1956*, at the rate of $1.60 per wine gallon and a proportionate tax at a like rate on all fractional parts of such wine gallon. All other provisions of law applicable to rectification shall apply to the products subject to tax under this section.

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SEC. 5041. IMPOSITION AND RATE OF TAX.

(a) IMPOSITION.—There is hereby imposed on all wines, including imitation, substandard or artificial wine, and compounds sold as wine, having not in excess of 24 percent of alcohol by volume, in bond in, produced in, or imported into, the United States, taxes at the rates shown in subsection (b), such taxes to be determined as of the time of removal for consumption or sale. All wines containing more than 24 percent of alcohol by volume shall be classed as distilled spirits and taxed accordingly.

(b) RATES OF TAX.—

(1) On still wines containing not more than 14 percent of alcohol by volume, 17 cents per wine gallon, except that on and after April 1, [1955] *1956*, the rate shall be 15 cents per wine gallon;

(2) On still wines containing more than 14 percent and not exceeding 21 percent of alcohol by volume, 67 cents per wine gallon, except that on and after April 1, [1955] *1956*, the rate shall be 60 cents a wine gallon;

(3) On still wines containing more than 21 percent and not exceeding 24 percent of alcohol by volume, $2.25 per wine gallon, except that on and after April 1, [1955] *1956*, the rate shall be $2.00 per wine gallon;

(4) On champagne and other sparkling wines, $3.40 per wine gallon, except that on and after April 1, [1955] *1956*, the rate shall be $3.00 per wine gallon; and

(5) On artificially carbonated wines, $2.40 per wine gallon, except that on and after April 1, [1955] *1956*, the rate shall be $2.00 per wine gallon.

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SEC. 5051. IMPOSITION AND RATE OF TAX.

(a) RATE OF TAX.—There is hereby imposed on all beer, brewed or produced and sold, or removed for consumption or sale, within the United States, or imported into the United States, a tax of $9 for every barrel containing not more than 31 gallons, and at a like rate for any other quantity or for the fractional parts of a barrel authorized and defined by law. On and after April 1, [1955] *1956*, the tax imposed by the preceding sentence shall be at the rate of $8 in lieu of $9. In estimating and computing such tax, the fractional parts of a barrel shall be halves, thirds, quarters, sixths, and eighths; and any fractional part of a barrel, containing less than one-eighth, shall be accounted one-eighth; more than one-eighth, and not more than one-sixth, shall be accounted one-sixth; more than one-sixth, and not more than one-fourth, shall be accounted one-fourth; more than one-fourth, and not more than one-third, shall be accounted one-third; more than one-third and not more than one-half, shall be accounted one-half; more than one-half and not more than one barrel, shall be accounted one barrel; and more than one barrel, and not more than 63 gallons, shall be accounted two barrels, or a hogshead. The provisions of this section requiring the accounting of hogsheads, barrels, and fractional parts of barrels at the next higher quantity shall not apply where the contents of such hogsheads, barrels, or fractional parts of barrels are within the limits of tolerance established by the Secretary or his delegate by regulations which he is hereby authorized to prescribe; and no assessment shall be made and no tax shall be collected for any excess in any case where the contents of the hogsheads, barrels, or fractional parts of barrels heretofore or hereafter used are within the limits of the tolerance so prescribed.

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SEC. 5063. FLOOR STOCKS TAX REFUNDS ON DISTILLED SPIRITS, WINES, CORDIALS AND BEER.

(a) GENERAL.—With respect to any article upon which tax is imposed under this part, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed has been paid, and which, on April 1, [1955] *1956*, is held by any person and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be credited or refunded to such person (without interest) subject to such regulations as may be prescribed by the Secretary or his delegate an amount equal to the difference between the tax so paid and the rate made applicable to such articles on and after April 1, [1955] *1956*, if claim for such credit or refund is filed with the Secretary or his delegate prior to May 1, [1955 or] *1956, or* within 30 days from the promulgation of such regulations.

(b) LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under subsection (a), unless such person, for such period or periods both before and after April 1, [1955] *1956* (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall by regulations prescribe, makes and keeps, and files with the Secretary or his delegate, such records of inventories, sales, and purchases as may be prescribed in such regulations.

(c) OTHER LAWS APPLICABLE.—All provisions of law, including penalties, applicable in respect of internal revenue taxes on distilled spirits, wines, liqueurs and cordials, imported perfumes containing distilled spirits, and beer shall, insofar as applicable and not inconsistent with this section, be applicable in respect of the credits and refunds provided for in this section to the same extent as if such credits or refunds constituted credits or refunds of such taxes.

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SEC. 5134. DRAWBACK.

(a) In the case of distilled spirits on which the tax has been determined and used as provided in this subpart, a drawback shall be allowed—

(1) At the rate of $6 on each proof gallon upon which tax is paid at a rate of $9 per proof gallon prior to November 1, 1951;

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(2) at the rate of $9.50 on each proof gallon upon which tax is determined at the rate of $10.50 per proof gallon on and after November 1, 1951;

(3) at the rate of $8 on each proof gallon upon which tax is determined at a rate of $9 per proof gallon after March 31, [1955] *1956*.

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SEC. 5701. RATE OF TAX.

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(c) CIGARETTES.—On cigarettes, manufactured in or imported into the United States, there shall be imposed the following taxes:

(1) SMALL CIGARETTES.—On cigarettes, weighing not more than 3 pounds per thousand, $4 per thousand until April 1, [1955] *1956*, and $3.50 per thousand on and after April 1, [1955] *1956*;

(2) LARGE CIGARETTES.—On cigarettes, weighing more than 3 pounds per thousand, $8.40 per thousand; except that, if more than 6½ inches in length, they shall be taxable at the rate prescribed for cigarettes weighing not more than 3 pounds per thousand, counting each 2¾ inches, or fraction thereof, of the length of each as one cigarette.

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SEC. 5707. FLOOR STOCKS REFUND ON CIGARETTES.

(a) IN GENERAL.—With respect to cigarettes, weighing not more than 3 pounds per thousand, upon which the tax imposed by subsection (c) (1) of section 5701 has been paid, and which, on April 1, [1955] *1956*, are held by any person and intended for sale, or are in transit from foreign countries or insular possessions of the United States to any person in the United States for sale, there shall be credited or refunded to such person (without interest), subject to such regulations as shall be prescribed by the Secretary or his delegate, an amount equal to the difference between the tax paid on such cigarettes and the tax made applicable to such articles on April 1, [1955] *1956*, if claim for such credit or refund is filed with the Secretary or his delegate before July 1, [1955] *1956*.

(b) LIMITATIONS ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under subsection (a) of this section unless such person, for such period or periods both before and after April 1, [1955] *1956* (but not extending beyond 1 year thereafter), as the Secretary or his delegate shall, by regulation, prescribe, makes and keeps, and files with the Secretary or his delegate such records of inventories, sales, and purchases as shall be prescribed in such regulations.

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SEC. 6412. FLOOR STOCKS REFUNDS.

(a) MOTOR VEHICLES.—

(1) IN GENERAL.—Where before April 1, [1955] *1956*, any article subject to the tax imposed by section 4061 (a) or (b) has been sold by the manufacturer, producer, or importer, and on such date is held by a dealer and has not been used and is intended for sale, there shall be credited or refunded (without interest) to the manufacturer, producer, or importer an amount equal to the difference between the tax paid by such manufacturer, producer, or importer on his sale of the article and the amount of tax made applicable to such article on and after April 1, [1955] *1956*.

(2) DEFINITIONS.—For purposes of this subsection—

(A) The term "dealer" includes a wholesaler, jobber, distributor, or retailer.

(B) An article shall be considered as "held by a dealer" if title thereto has passed to such dealer (whether or not delivery to him has been made), and if for purposes of consumption title to such article or possession thereof has not at any time been transferred to any person other than a dealer.

(3) REFUNDS TO DEALERS.—Under regulations prescribed by the Secretary or his delegate, the refund provided by this subsection may be made to the dealer instead of the manufacturer, producer, or importer, if the manufacturer, producer, or importer waives any claim for the amount so to be refunded.

(4) REIMBURSEMENT OF DEALERS.—When the credit or refund provided for in this subsection has been allowed to the manufacturer, producer, or importer, he shall remit to the dealer to whom was sold the article in respect of which the credit or refund was allowed so much of that amount of the tax corresponding to the credit or refund as was included in or added to the price paid or agreed to be paid by the dealer.

(5) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No person shall be entitled to credit or refund under this subsection unless (A) he has in his possession such evidence of the inventories with respect to which the credit or refund is claimed as may be required by regulations prescribed under this subsection, and (B) claim for such credit or refund is filed with the Secretary or his delegate before July 1, [1955] *1956*.

(b) GASOLINE.—

(1) IN GENERAL.—With respect to any gasoline taxable under section 4081, upon which tax (including floor stocks tax) at the applicable rate has been paid, and which, on April 1, [1955] *1956*, is held and intended for sale by any person, there shall be credited or refunded (without interest) to the producer or importer who paid the tax, subject to such regulations as may be prescribed by the Secretary or his delegate, an amount equal to so much of the difference between the tax so paid and the amount of tax made applicable to such gasoline on and after April 1, [1955] *1956*, as has been paid by such producer or importer to such person as reimbursement for the tax reduction on such gasoline, if claim for such credit or refund is filed with the Secretary or his delegate prior to July 1, [1955] *1956*. No credit or refund shall be allowable under this subsection with respect to gasoline in retail stocks held at the place where intended to be sold at retail, nor with respect to gasoline held for sale by a producer or importer of gasoline.

(2) LIMITATION ON ELIGIBILITY FOR CREDIT OR REFUND.—No producer or importer shall be entitled to a credit or refund under paragraph (1) unless he has in his possession satisfactory evidence of the inventories with respect to which he has made the reimbursements described in such paragraph, and establishes to the satisfaction of the Secretary or his delegate with respect to the quantity of gasoline as to which credit or refund is claimed under such paragraph, that on or after April 1, [1955] *1956*, such quantity of gasoline was sold to the ultimate consumer at a price which reflected the amount of the tax reduction.

SECTION 497 OF THE REVENUE ACT OF 1951

SEC. 497. REFUNDS ON ARTICLES FROM FOREIGN TRADE ZONES.

(a) IMPORTED ARTICLES.—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code *of 1939 (or section 5701 (c), 5001 (a), 5022, 5041 (b), or 5051 (a) of the Internal Revenue Code of 1954)* on which internal revenue tax at the applicable rate prescribed in such section has been determined pursuant to section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, [1955] *1956*, and which on or after such date is brought from a foreign trade zone into customs territory of the United States and the tax so determined thereon paid, there shall be credited or refunded (without interest) to the taxpayer, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, [1955] *1956*, if claim for such credit or refund is filed with the Secretary within thirty days after payment of the tax.

(b) PREVIOUSLY TAXPAID ARTICLES.—With respect to any article specified in section 2000 (c) (2), 2800 (a), 3030 (a), or 3150 (a) of the Internal Revenue Code *of 1939 (or section 5701 (c), 5001 (a), 5022, 5041 (b), or 5051 (a) of the Internal Revenue Code of 1954)*, upon which internal revenue tax (including floor stocks tax) at the applicable rate prescribed in such section has been paid, and which was taken into a foreign trade zone from the customs territory of the United States and placed under the supervision of the collector of customs, pursuant to the second proviso of section 3 of the Act of June 18, 1934, as amended (U. S. C., title 19, sec. 81c), prior to April 1, [1955] *1956*, and which on or after such date is (without loss of identity) returned from a foreign trade zone to customs territory of the United States, there shall be credited or refunded (without interest) to the person so returning such article, subject to such regulations as may be prescribed by the Secretary, an amount equal to the difference between the tax so paid and the amount of tax made applicable to such articles on and after April 1, [1955] *1956*, if claim for such credit or refund is filed with the Secretary within thirty days after the return of the article to customs territory.

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